Agriculture Statistics

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SUBJECT: **FARM INCOME FORECAST, 2005^{P} AND 2006^{E}**

MANITOBA HIGHLIGHTS

Situation 2005:

- Manitoba **farm cash receipts** are estimated at **$3.69 billion** in 2005, a **5.1% decrease from** $3.89 billion in **2004** as a result of problems in the crop sector.
- In 2005, crop cash receipts decreased by 27% to $1.31 billion from almost $1.78 billion in 2004. There were lower prices, lower marketings and lower returns for all major grains, oilseeds, and special crops.
- Livestock receipts were estimated at $1.71 billion in 2005, an increase of 3.4% from $1.65 billion in 2004. This slight increase was the result of a substantial improvements in cattle marketings which were 59% higher than in 2004.
- While overall livestock receipts increased, hog returns were down 11.2% from the previous year. Hog receipts were estimated at $825.3 million in 2005. This decline in hog receipts is mainly attributable to lower prices since hog marketings were only down 1.1% (mainly in the export market).
- Direct payments to Manitoba producers totaled $676.5 million in 2005, a 47.5% increase from $458.7 million in 2004, due to increased payments from Crop Insurance, private hail insurance and the Canadian Agricultural Income Stabilization Program (CAIS).
- Farm operating expenses after rebates were $3.1 billion in 2005, down 2.2% from 2004, mainly attributable to declines in share rent costs, livestock purchases and crop/hail insurance. This was offset by a 19.9% increase in machinery fuel costs. Most other costs remained relatively unchanged.
- Net cash income was estimated at $619.5 million for 2005, down 17% from $749 million in 2004. Realized net income after depreciation was $223.7 million in 2005, down 37% from $354.9 million in 2004. Due to a $330.3 million draw down in inventories, **total net farm income fell to $-106.7 million, a serious decline from $317.2 million 2004 and from $435.2 million as the 2000-2004 average**.

SOURCE: Historical data (2004), Statistics Canada, Cat. No. 21-010, Agriculture Economic Statistics; Forecast figures for 2005 and 2006, Agriculture and Agri-Food Canada.

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Manitoba Outlook 2006:

- **Farm cash receipts** are projected to **decrease by 7.1% to $3.43 billion in 2006** primarily from continued problems in the crop sector.

- Receipts from crops may decrease a further 11% to $1.16 billion primarily due to lower marketings of wheat, canola and most special crops. There were substantial crop quantity and quality losses resulting in record crop insurance payments.

- Livestock projections in 2006 are estimated at $1.716 billion, up less than 1% from 2005 levels. Projected improvements in cattle marketings and prices are expected to translate into 16.9% increase in farm cash receipts. Hog marketings are expected to show a modest improvement, however weaker prices are expected to contribute to a 3.8% decline in receipts.

- The impact of the corn countervail is yet to be finalized. However, current estimates suggest that this could have a $20 per hog impact for finished hogs in a farrow to finish operation. Cattle producers could expect a $100 increase per head in the cost of finished cattle. The exact impact of the countervail is difficult to determine as substitution of other feed grains in rations could soften the economic impact. Increased exports of feeder pigs and feeder cattle could increase substantially which has the potential to impact cash receipts.

- In 2006, direct payments are estimated at $557.8 million, down 7.6% from 2005 levels. Declines in Crop Insurance and other support payments are the major contributing factors.

- Further phasing-out of the Net Income Stabilization (NISA) program are expected to result in a 46.1% drop in payments for a total of $35 million in 2006.

- In 2006, total operating expenses after rebates are expected to increase 5% in 2006. Rebates in 2006 are projected at $19.9 million.

- Net Cash Income in 2006 is estimated to decrease 67.2%, projected at $203.1 million, less than one-third of the 2005 level. After depreciation and inventory change allowances the **Total Net Income** is expected to be **$27.1 million, a long way from the $435.2 million average in 2000-2004**.

Definitions:

- Farm cash receipts measure the gross revenue of farm businesses and include revenues from the sales of crops and livestock products, program payments from government agencies and payments from private agricultural insurance programs.

- Farm operating expenses represent business costs incurred by farm businesses for goods and services used in the production of agricultural commodities.

- Net cash income represents the amount of cash generated by the farm business that is available for debt repayment, investment or withdrawal by the owner. It is a measure of gross farm revenue minus farm operating expenses.

- Realized net income includes net cash income minus depreciation plus income-in-kind. It represents the cash and non-cash financial flows that are attributable to the farm business and does not include changes in stocks.

- Total net income includes return to owner's equity, unpaid labour, management, risk and accounts for changes in the total value of inventories.

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TABLE 1: FARM INCOME SUMMARY, MANITOBA, 2003-2006*

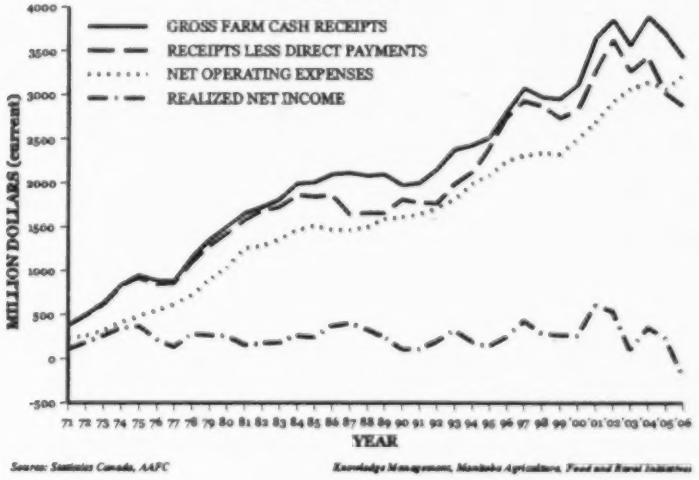
	2003R	2004R	2005R	2006P	06/05
	- million of dollars -				%
Crop Receipts	1,704	1,779	1,305	1,156	89
Livestock Receipts	1,561	1,654	1,711	1,716	100
Market Receipts	3,265	3,434	3,016	2,872	95
Total Payments[1]	308	459	677	558	82
Total Cash Receipts	**3,574**	**3,893**	**3,692**	**3,430**	**93**
Net Operating Expenses	**3,068**	**3,143**	**3,073**	**3,227**	**105**
Net Cash Income	**505**	**749**	**619**	**203**	**33**
Income-In-Kind	8	9	9	9	100
Depreciation Charges	413	403	405	407	100
Realized Net Income	**101**	**355**	**224**	**-194**	-
Value of Inventory Change	401	-38	-330	222	-
TOTAL NET INCOME	**503**	**317**	**-107**	**27**	-

* Totals may not add due to rounding. [R] Revised [P] Preliminary [E] Estimated

[1] Includes gross payments directly paid to producers under Crop Insurance including private hail insurance, Dairy Subsidy, NISA and ad-hoc income support programs including Canada Farm Income Program, Canada/Manitoba Adjustment Program, AIDA, Manitoba Farm Disaster Assistance Programs and other payments. Program premiums or levies paid by producers are included in operating expenses.

FARM INCOME AND EXPENSES

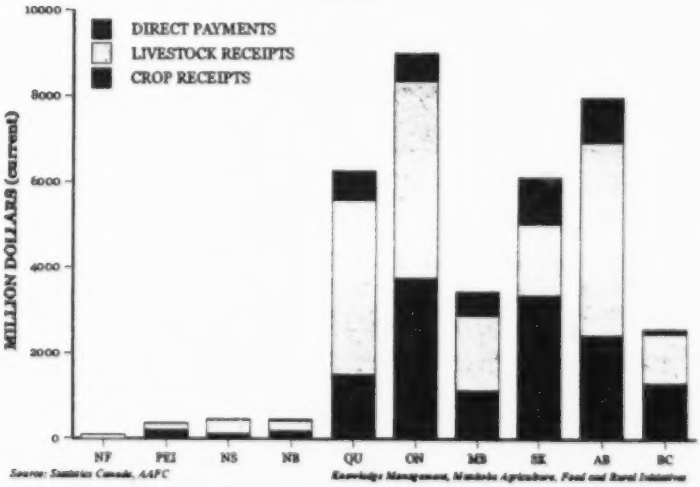
1971-2006



Source: Statistics Canada, AAFC *Knowledge Management, Manitoba Agriculture, Food and Rural Initiatives*

FARM CASH RECEIPTS BY PROVINCE

2006



Source: Statistics Canada, AAFC *Knowledge Management, Manitoba Agriculture, Food and Rural Initiatives*

TABLE 2: FARM INCOME SUMMARY, PROVINCES, 2003-2006

	2003R	2004R	2005R	2006P	06/05
	million dollars				%
SASKATCHEWAN					
Crop Receipts	2,744	3,336	3,144	3,360	107
Livestock Receipts	1,337	1,484	1,662	1,658	100
Market Receipts	4,081	4,820	4,806	5,018	104
Total Payments[1]	1,601	1,190	1,255	1,088	87
Total Cash Receipts	5,682	6,010	6,061	6,106	101
Net Operating Expenses	5,044	5,057	5,239	5,413	103
Net Cash Income	639	953	822	693	84
Realized Net Income	-264	44	-77	-203	-
Total Net Income	707	879	796	-278	-
ALBERTA					
Crop Receipts	1,898	2,604	2,352	2,441	104
Livestock Receipts	3,753	3,979	4,323	4,479	104
Market Receipts	5,651	6,583	6,675	6,921	104
Total Payments[1]	1,362	1,433	1,129	1,034	92
Total Cash Receipts	7,014	8,016	7,803	7,955	102
Net Operating Expenses	6,300	6,273	6,481	6,590	102
Net Cash Income	713	1,744	1,322	1,365	103
Realized Net Income	-412	651	210	247	118
Total Net Income	603	1,195	741	101	14
BRITISH COLUMBIA					
Crop Receipts	1,136	1,208	1,281	1,335	104
Livestock Receipts	1,082	1,012	1,111	1,127	102
Market Receipts	2,218	2,220	2,392	2,462	103
Total Payments[1]	59	188	111	99	89
Total Cash Receipts	2,278	2,408	2,503	2,561	102
Net Operating Expenses	1,966	1,958	2,010	2,065	103
Net Cash Income	312	450	493	496	101
Realized Net Income	62	197	236	233	99
Total Net Income	104	174	255	260	102
ONTARIO					
Crop Receipts	3,723	3,568	3,694	3,771	102
Livestock Receipts	4,161	4,327	4,460	4,582	103
Market Receipts	7,884	7,895	8,154	8,352	102
Total Payments[1]	585	674	838	627	75
Total Cash Receipts	8,469	8,570	8,992	8,979	100
Net Operating Expenses	7,348	7,441	7,508	7,788	104
Net Cash Income	1,121	1,129	1,484	1,191	80
Realized Net Income	45	97	415	117	28
Total Net Income	138	424	348	-63	-
QUEBEC					
Crop Receipts	1,429	1,474	1,473	1,516	103
Livestock Receipts	3,664	4,014	4,034	4,059	101
Market Receipts	5,093	5,488	5,507	5,575	101
Total Payments[1]	875	835	781	673	86
Total Cash Receipts	5,969	6,323	6,288	6,248	99
Net Operating Expenses	4,941	5,040	4,858	5,035	104
Net Cash Income	1,027	1,283	1,430	1,213	85
Realized Net Income	461	745	875	655	75
Total Net Income	584	867	793	596	75
CANADA					
Crop Receipts	13,182	14,489	13,773	14,183	103
Livestock Receipts	16,185	17,152	18,001	18,336	102
Market Receipts	29,367	31,641	31,774	32,519	102
Total Payments[1]	4,843	4,881	4,901	4,149	85
Total Cash Receipts	34,210	36,521	36,675	36,668	100
Net Operating Expenses	29,769	30,092	30,347	31,346	103
Net Cash Income	4,441	6,429	6,328	5,322	84
Realized Net Income	-28	2,078	1,902	875	46
Total Net Income	2,633	3,831	2,835	730	26

[1] See previous page for footnote.